Gruber and Gorman Analysis of ACA and Exchange Impact on Minnesota

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Consultant Background

- Gruber
  - Professor of economics at MIT since 1992
  - Member of the MA Connector Board
  - Technical support for states (notably MA) and federal government (developing ACA)
- Gorman
  - Consulting health care actuary with 20 years of health care experience
  - Provides actuarial consulting analyses and expertise to various state governments on the impacts of health reform and various policy initiatives on the insured markets
  - Provides actuarial assistance to various insurers in preparation for the ACA

Background on Modeling

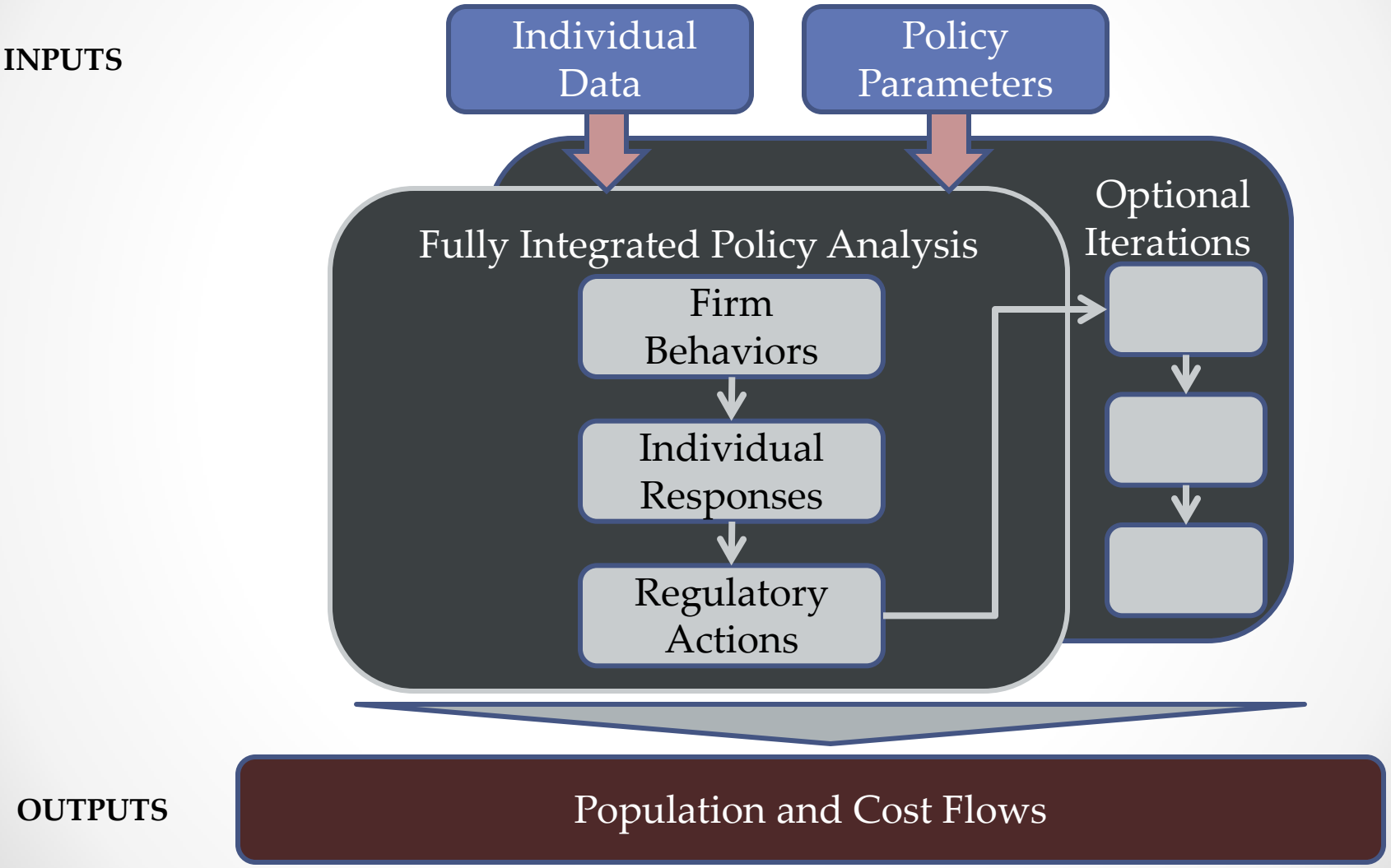
Modeling Background

- Affordable Care Act (ACA) has transformative impacts on insurance markets in MN
- Model impact of the ACA
- Economic modeling: population flows
- Actuarial modeling: insurance pricing
- Integrate the two to provide comprehensive analysis of population movements & costs

Microsimulation Modeling

- Modeling how policies impact the economy
- Key aspect is accounting for how individuals and firms react to policy interventions
- Translating the results of basic health economics research into policy outcomes

Schematic of the Model



Data

- Base data is Minnesota Health Access Survey
  - Representative sample of 12,000 households, with information on insurance, income, etc.
- Augmented with survey data from individual, small group, 51 to 100 insurers
  - Insurers representing 94% of the Individual Market and 90% of the Small Group Market
  - Data on enrollment, premiums, risk mix, and benefits
- Public insurance eligibility, enrollment, benefits, risk mix & costs from state
- Data on large group premiums from MEPS-IC

Actuarial Analysis & Modeling

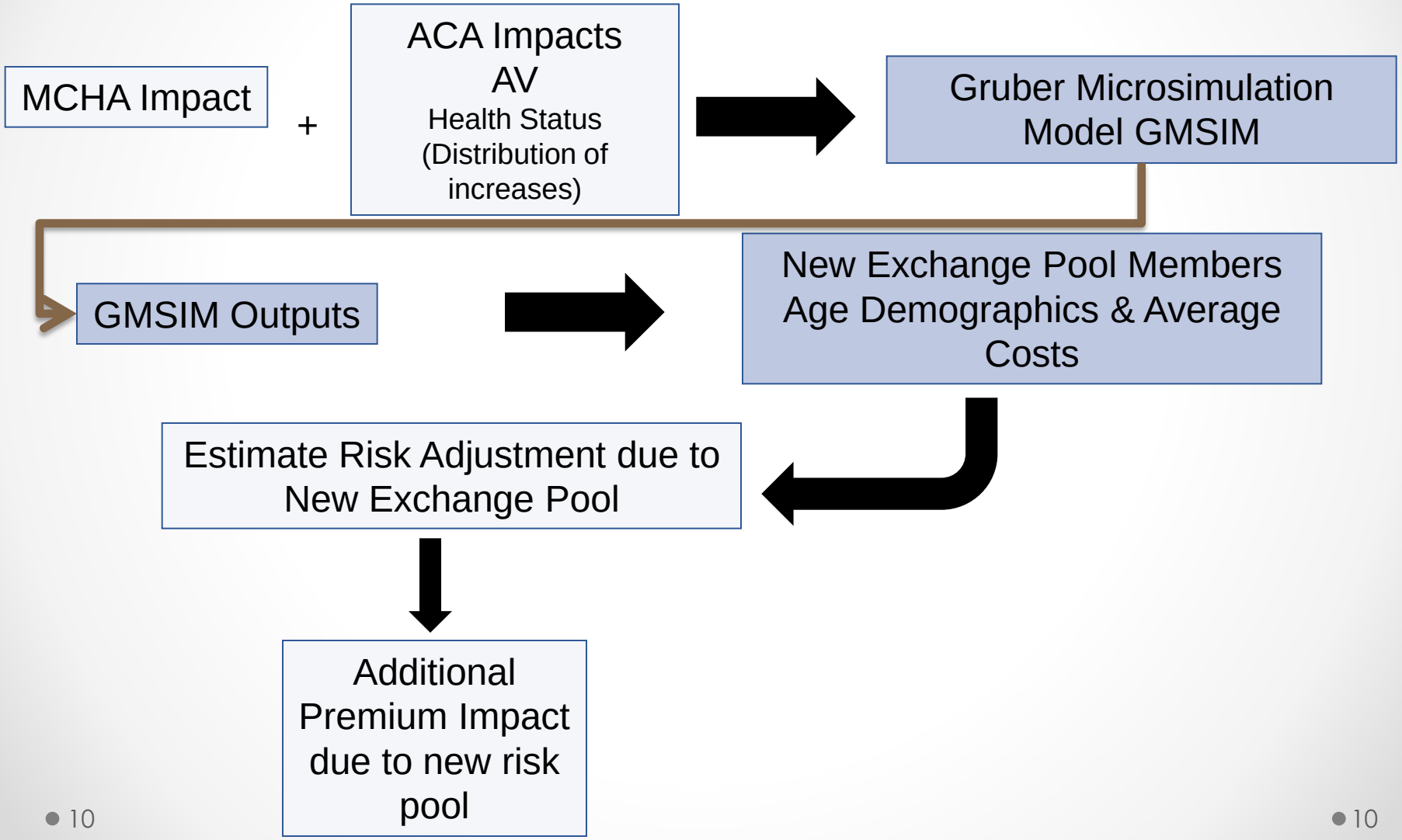
- Utilized MN Carrier Specific data
  - Detailed Plan Design Information for the Individual and Small Group Markets
  - Claims distributions for each market
  - Distribution of health status surcharges and discounts for each market
  - Premium, Claims, Member Month Exposure, and demographic distributions for each market
  - Aggregated data across carriers when possible
- Estimated Actuarial Value for each plan design offering
  - Actuarial Value is defined as percent of medical services paid for by the insurer
  - Actuarial Value was calculated by reviewing key cost sharing elements for each product offering
    - Deductible
    - Coinsurance
    - Out of pocket Maximum
    - Copays (office visit, inpatient, outpatient surgery)
    - Pharmacy benefit
  - Estimated premium impact due to the essential benefit requirement (bringing everyone up to 0.60 AV)

Actuarial Analysis & Modeling

- Health Status Rating Variable Analysis
  - Carriers will no longer be allowed to use health status as a rating variable
  - We assume there will be “winners & losers” but no change to the overall premium of the Individual Market
- Modeled the premium impact of the high risk pool entering the Individual Market
- Results of actuarial modeling provided for economic modeling
- Merged Market Analyses

Minnesota

Actuarial/Economic Interface



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Model Key Elements of ACA

- Medicaid expansion to 133% FPL
  - Adults in MNCare above 133% FPL to exchange
  - Kids above 150% FPL to exchange
    - Consider alternative where only kids above 275% FPL
- Tax credits for 133% FPL to 400% FPL
- Individual responsibility requirement
- Insurance market reforms
  - Community rating, guaranteed issue, no pre-ex
  - Minimum actuarial value
  - High Risk Pool Impact
- Employer responsibility payments
- Small firm tax credits
- Payroll tax financing from highest incomes
- Exchange

Impacts On Coverage

Case I: Exchange Coverage Above 150% FPL for Kids

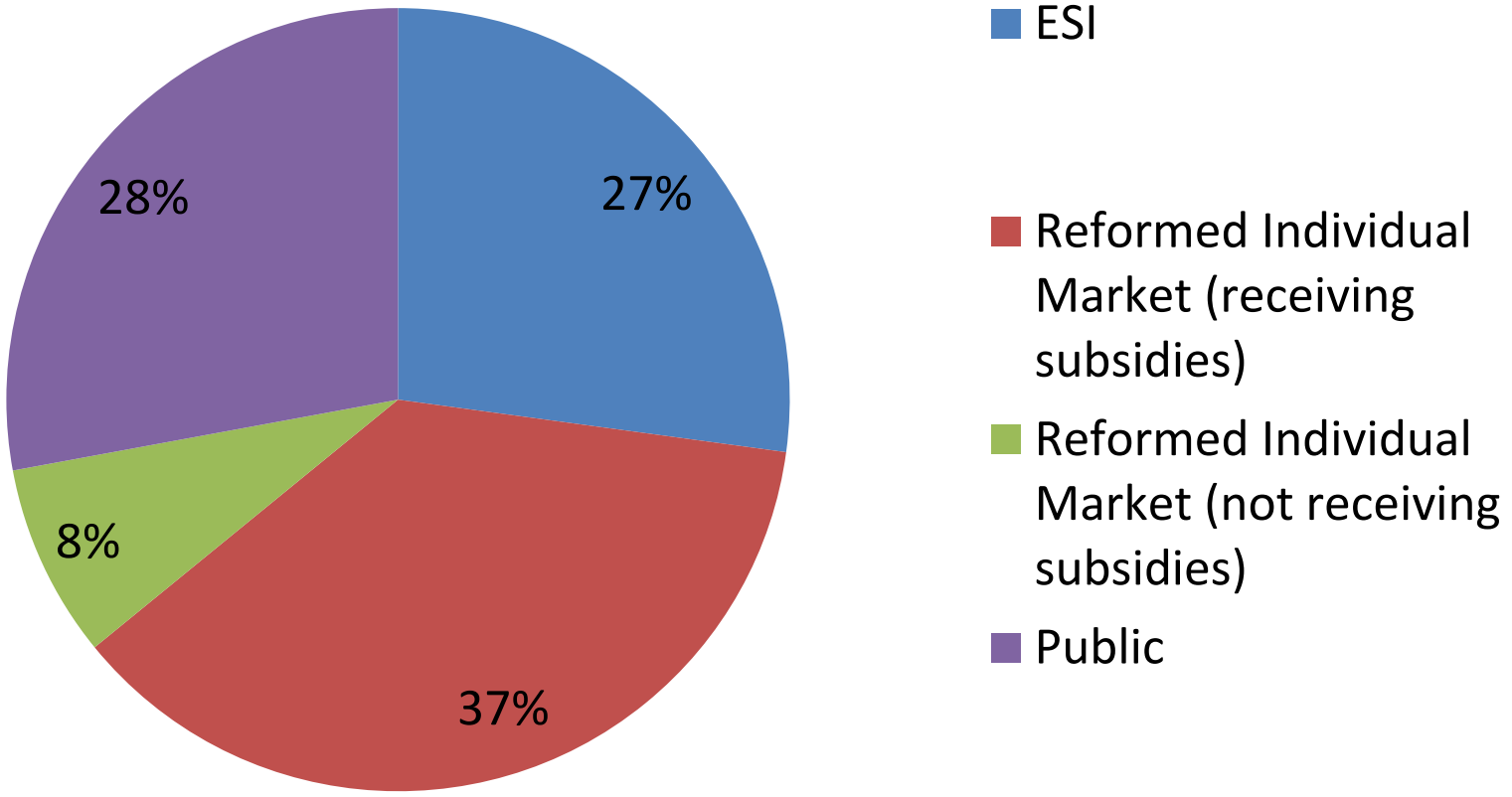
Estimate of ACA Effect: 2016

	No Reform	With ACA	ACA Impact
ESI	3,130,000	3,120,000	-10,000
>Small Firm ESI (1-50 employees)	420,000	420,000	0
51 – 100 employees	120,000	120,000	0
Unreformed Individual Market	260,000	50,000	-210,000
Reformed Individual Market	0	510,000	510,000
Public Insurance	690,000	690,000	0
Uninsured	500,000	210,000	-290,000
Total	4,580,000	4,580,000	

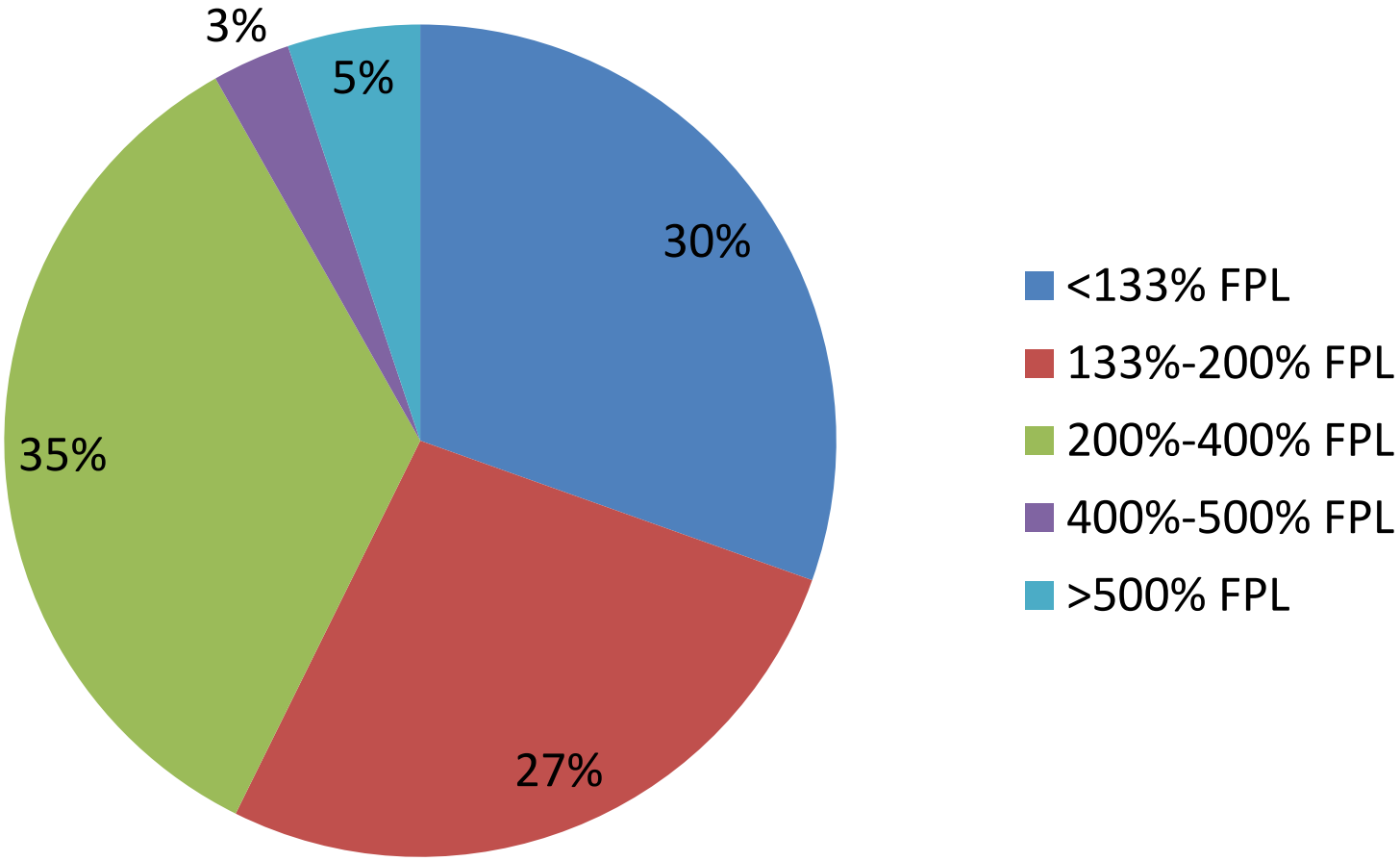
Changes in Public Enrollment Due to ACA: 2016

Leaving Public to Private Exchange Subsidies	110,000
Leaving Public Voluntarily	0
Joining Public, Newly Eligible due to Expansion up to 133% FPL	50,000
Joining Public, Previously Eligible	60,000
Net Change	**0**

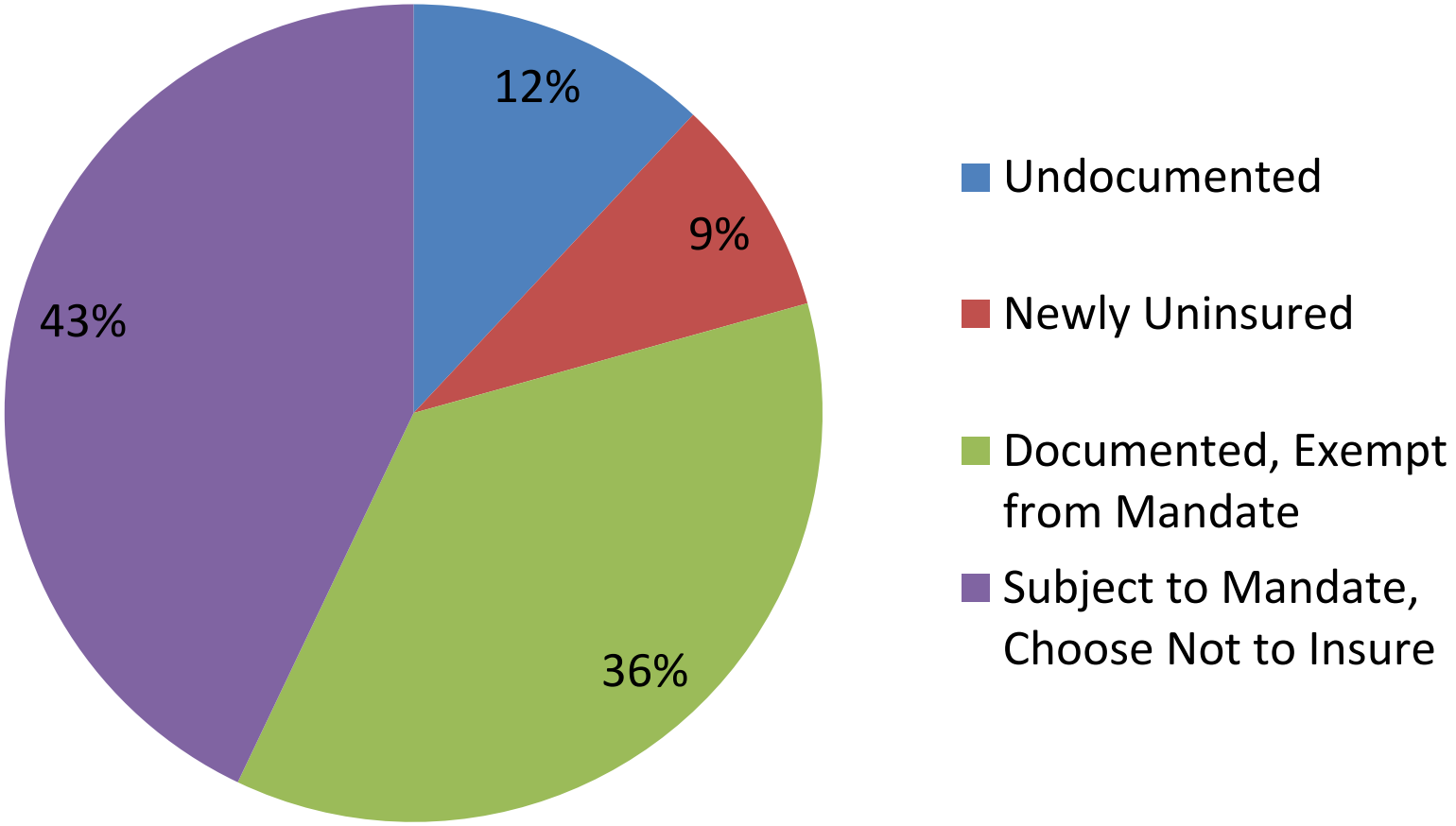
Coverage Sources of the Newly Insured: 2016



Newly Insured by Income: 2016



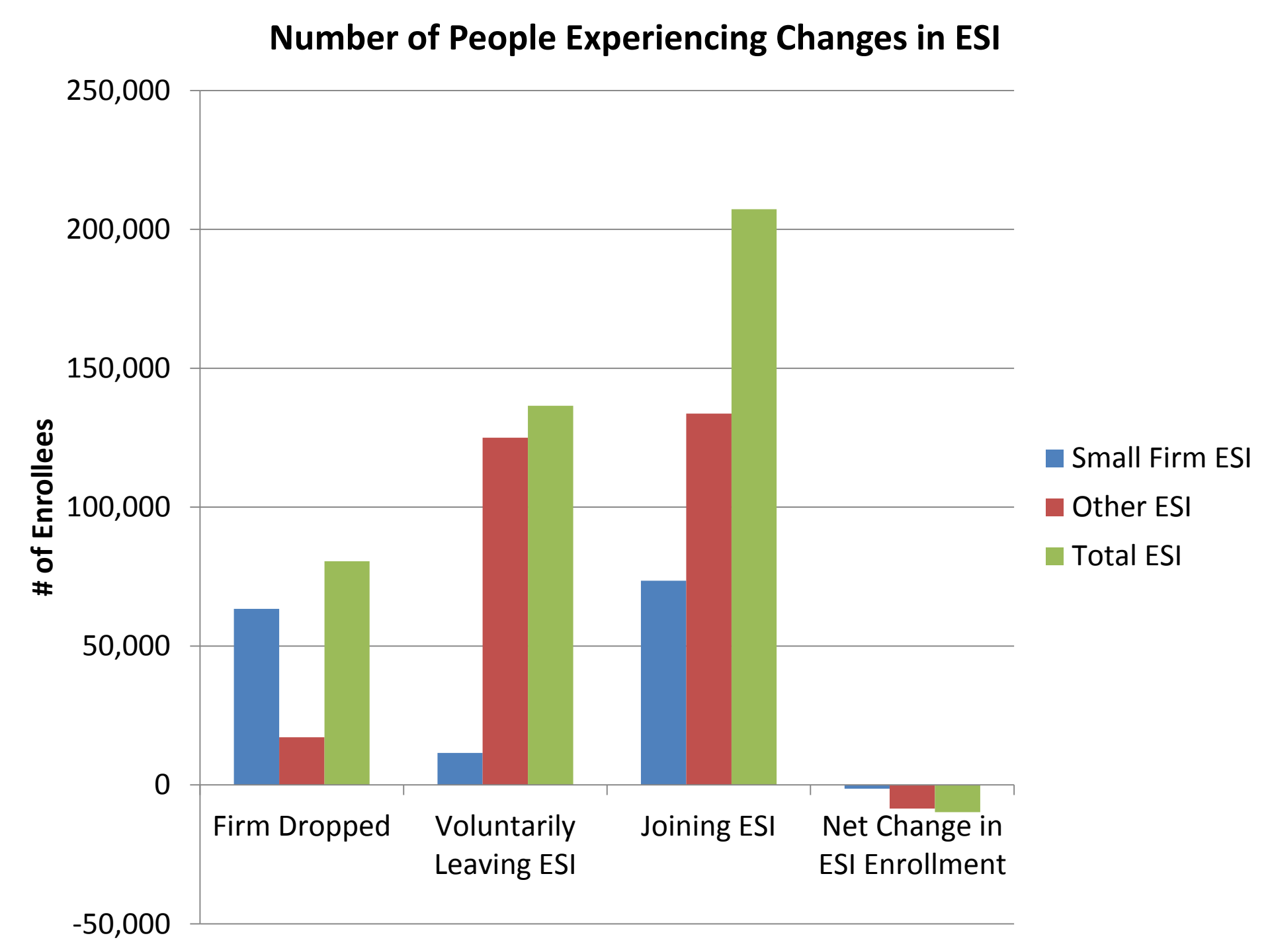
Remaining Uninsured: 2016



Breakdown of MN Population by Race/Ethnicity and Insurance Type, 2016

Before ACA	White	Black	Hispanic	Other
ESI	74%	38%	31%	55%
Traditional Nongroup	6%	4%	4%	5%
Public	11%	42%	36%	24%
Uninsured	9%	17%	29%	16%
	100%	100%	100%	100%

After ACA (<150%, no BHP)	White	Black	Hispanic	Other
ESI	73%	40%	33%	55%
Traditional Nongroup	1%	2%	2%	0%
Reformed Nongroup / Exchange	11%	13%	11%	12%
Public	11%	38%	41%	26%
Uninsured	4%	8%	13%	7%
	100%	100%	100%	100%


Number of People Experiencing Changes in ESI
250,000
200,000
150,000
100,000
50,000
0
-50,000
# of Enrollees
Firm Dropped
Voluntarily Leaving ESI
Joining ESI
Net Change in ESI Enrollment
Small Firm ESI
Other ESI
Total ESI

Predicting the Size of the Exchange, 2016

	No BHP		With BHP	
	# of individuals	Enrollment in the Exchange	# of individuals	Enrollment in the Exchange
Tax credit Recipients	390,000	390,000	190,000	190,000
Enrollees in Firms <50 Receiving Tax Credit	70,000	70,000	70,000	70,000
Non-tax Credit Recipients in Reformed Market	Up to 120,000	60,000	Up to 140,000	70,000
Enrollees in Firms <50 Not Receiving Tax Credit	Up to 350,000	90,000	Up to 350,000	90,000
Enrollees in firms 50-99	Up to 120,000	30,000	Up to 120,000	30,000
Public Insurance Enrollees	590,000	590,000	780,000	780,000
Total Exchange Enrollment		1,230,000		1,230,000

Impacts On Coverage

Case II: Exchange Coverage Above 275% FPL for Kids

Estimate of ACA Effect: 2016

	No Reform	With ACA	ACA Impact
ESI	3,130,000	3,120,000	-10,000
>Small Firm ESI (1-50 employees)	420,000	420,000	0
>51 – 100 employees	120,000	120,000	0
Unreformed Individual Market	260,000	40,000	-220,000
Reformed Individual Market	0	400,000	400,000
Public Insurance	690,000	810,000	120,000
Uninsured	500,000	210,000	-290,000
Total	4,580,000	4,580,000	

Changes in Public Enrollment Due to ACA: 2016

Leaving Public to Private Exchange Subsidies	50,000
Leaving Public Voluntarily	0
Joining Public, Newly Eligible due to Expansion up to 133% FPL	50,000
Joining Public, Previously Eligible	120,000
Net Change	**120,000**

Predicting the Size of the Exchange, 2016

	No BHP		With BHP	
	# of individuals	Enrollment in the Exchange	# of individuals	Enrollment in the Exchange
Tax credit Recipients	280,000	280,000	160,000	160,000
Enrollees in Firms <50 Receiving Tax Credit	70,000	70,000	70,000	70,000
Non-tax Credit Recipients in Reformed Market	Up to 120,000	60,000	Up to 130,000	65,000
Enrollees in Firms <50 Not Receiving Tax Credit	Up to 350,000	90,000	Up to 350,000	90,000
Enrollees in firms 50-99	Up to 120,000	30,000	Up to 120,000	30,000
Public Insurance Enrollees	700,000	700,000	820,000	820,000
Total Exchange Enrollment		1,230,000		1,235,000

Part III: Impacts to Premiums Individual and Small Group Market

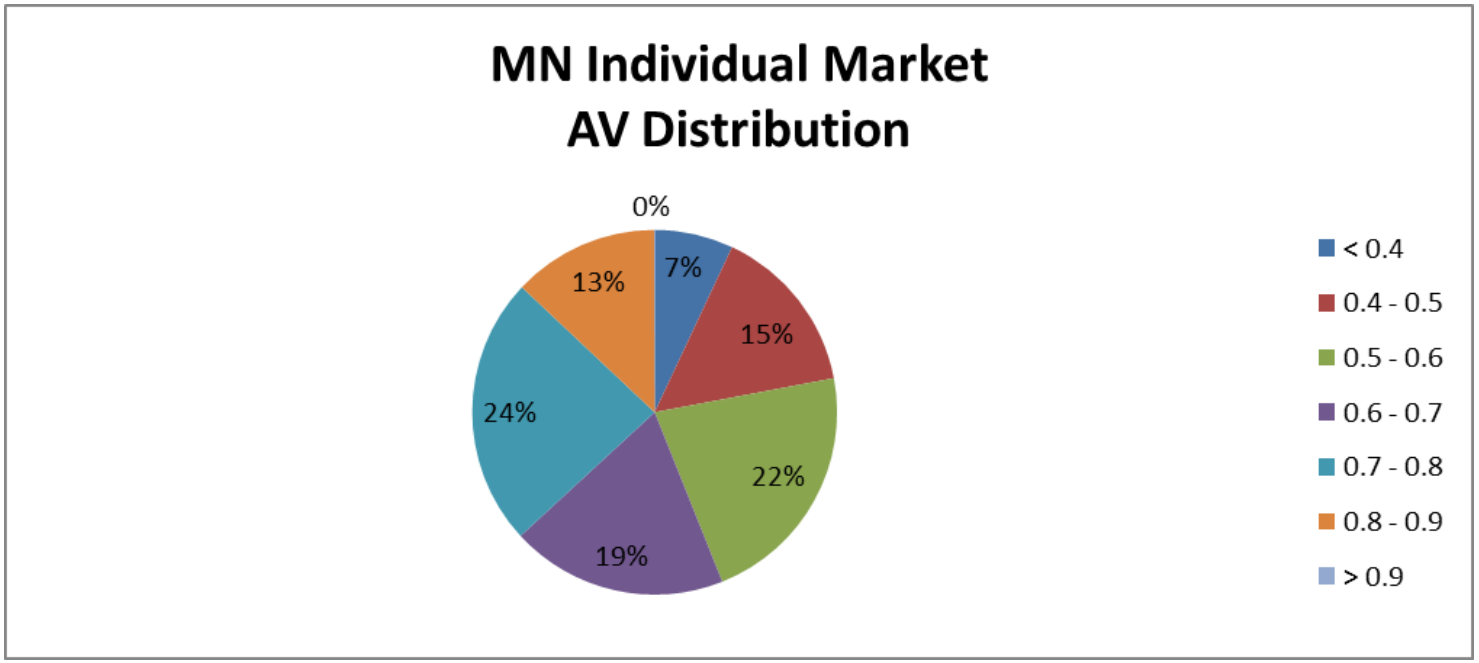
Minimum Essential Benefit Requirement

Single Policy In Network Deductible	% Individual Market	% Small Group Market
$0	0.1%	21.7%
<= $1,000	13.1%	34.1%
$1,150 - $2000	33.9%	17.9%
$2,100 - $3,000	18.2%	26.2%
$3,100 - $5,000	25.5%	0.1%
$5,100 - $9,300	3.6%	0.1%
$10,000	4.6%	0.0%
$15,000	0.9%	0.0%

Based on 2009 data

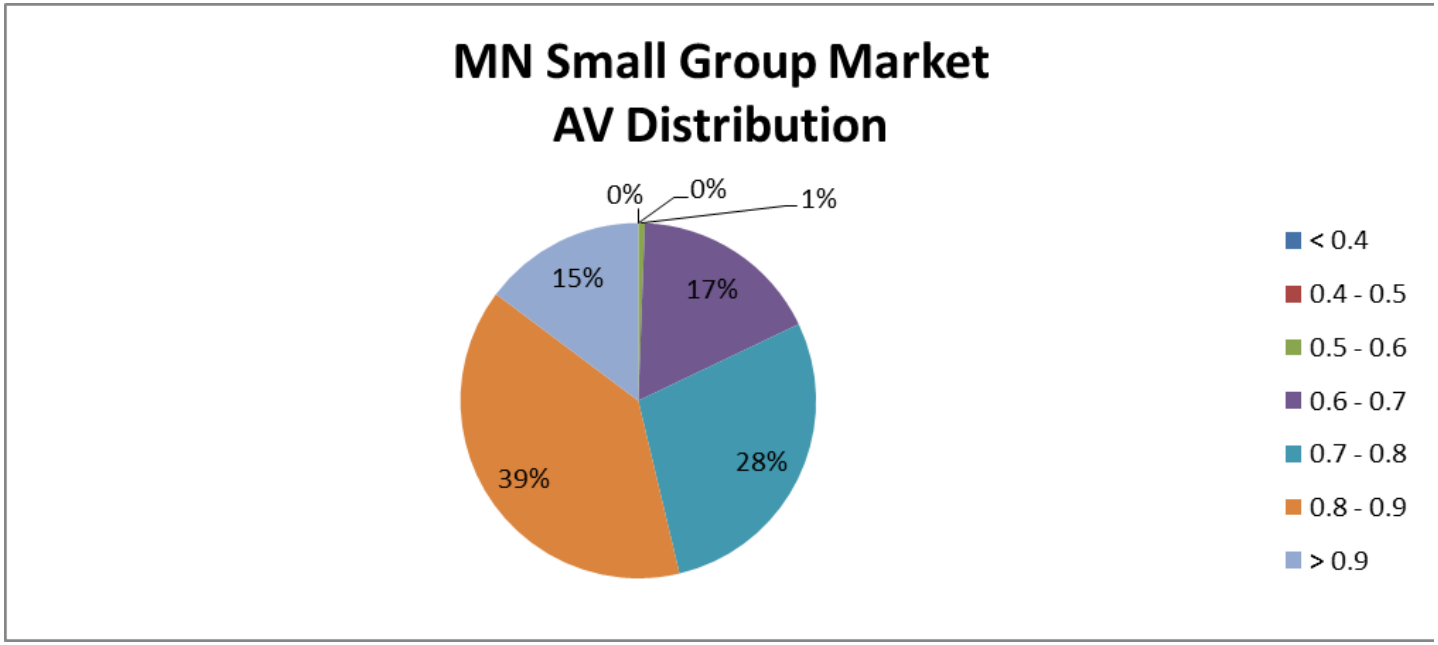
- Analyzed plan designs for the Small Group and Individual Market
- Approximately 22% of the Small Group Market has $0 deductible (mostly copay plans) this contrasts with the Individual Market where virtually no one is enrolled in a $0 deductible plan
- Approximately 35% of the Individual Market has greater than a $3,000 deductible as compared to 0.2% of the Small Group Market

Minimum Essential Benefit Requirement



- Overall Individual Market AV estimated at 0.63
- 22% of the market below a 0.5 AV
- Premium Impact due to Minimum Essential Benefit Requirement estimated at 8% to 11%

Minimum Essential Benefit Requirement



- Overall Small Group Market AV estimated at 0.79
- Less than 1% of the market has less than 0.5 AV
- Minimal premium impact due to Minimum Essential Benefit Requirement

Elimination of Health Status Adjustment

- Health underwriting variable across the carriers
- Carriers who “aggressively underwrite” today will experience greater premium disruption
- Those carriers that moderately underwrite will experience lesser premium shocks
- Premium changes range from -7% to +18%

Elimination of Health Status Adjustment

MN Small Group Market

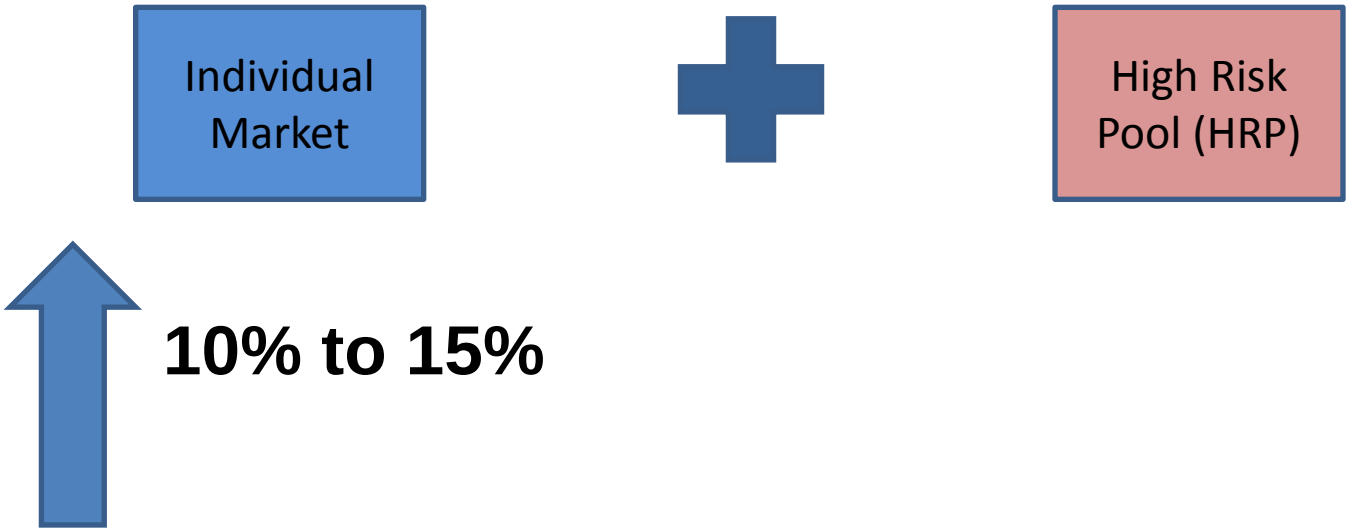
Premium Change	Distribution of Members	Distribution of Groups	Average Premium PMPM Pre-ACA	Average Premium Change
less than -20.0%	13.5%	16.0%	$464.95	-22.9%
-20.0% to -10.1%	13.6%	13.5%	$394.01	-14.9%
-10.0% to -0.1%	16.9%	15.0%	$344.18	-4.8%
0.0% to 9.9%	14.3%	12.2%	$322.22	3.8%
10.0% to 19.9%	22.1%	20.8%	$285.63	14.3%
greater than or equal to 20.0%	19.6%	22.6%	$251.78	25.5%
Grand Total	**100.0%**	**100.0%**	**$333.09**	**0.0%**

- As Health Underwriting is eliminated, there will be some “winners & losers” with in the market
- 20% of market will receive greater than a 20% increase
- 44% of market will receive some premium decreases

MCHA & Individual Market

- Due to changes in market rules under the ACA (guarantee issue, no rating for health status), high risk pool members will be part of the individual market in CY 2014
- Assumed that MCHA members will migrate over to Individual Market
  - 40% Migrate to Individual Market in CY 2014 (11,000 members)
  - 60% Migrate to Individual Market in CY 2015 (16,500 members)
  - 80% Migrate to Individual Market in CY 2016 (22,000 members)
- Reviewed MCHA Distribution of Claims and assumed healthier members would migrate to Individual Market
  - Members who migrate to Individual Market from MCHA have, on average, claims costs that are 70% lower than members who remain in MCHA

MCHA & Individual Market CY 2016 Premium Impact



Premium Changes Individual Market

	Children <150%FPL, NO BHP	
	Minimum	**Maximum**
Minimum Essential Benefit Requirement	**8%**	**11%**
MCHA	**10%**	**15%**
New Risk Mix of Individual Market Pool	**15%**	**20%**
Managed Competition Effect	**-7.5%**	
Premium Change	**26%**	**42%**
Best Estimate	**29%**	

- Premium changes do not include the 2010 changes estimated at 1% to 3%
- Overall impact due to elimination of health status rating is 0% (however each individual will be impacted)

All adjustments are multiplicative not additive

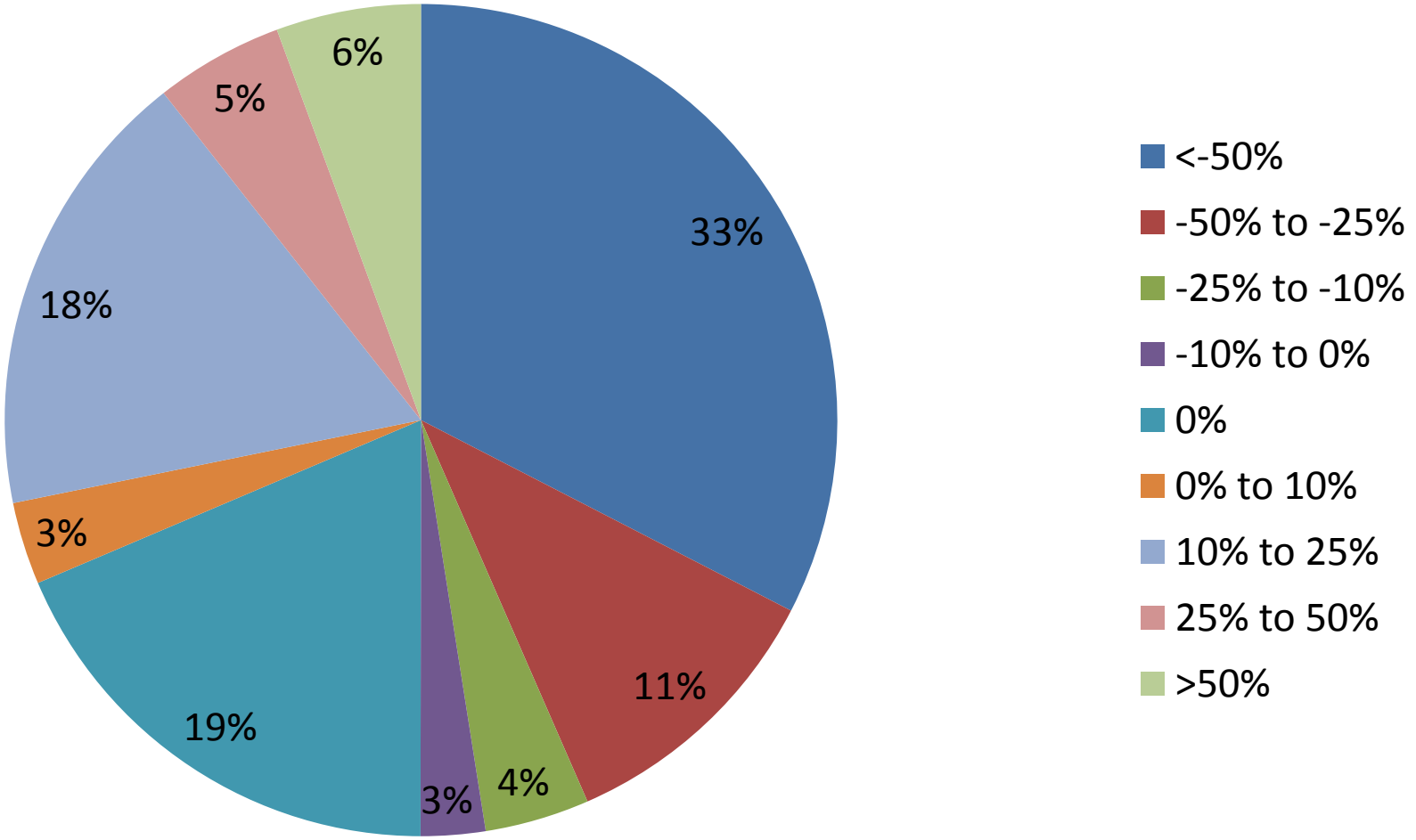
Premiums and Actuarial Values for those Remaining on Nongroup: 2016

No BHP	No Reform	With Reform (No Subsidies)	With Reform (With Subsidies)
Average Nongroup Premium	$4,375	$5,687	$3,487
Average Nongroup Actuarial Value	0.641	0.702	0.702
With BHP	No Reform	With Reform (No Subsidies)	With Reform (With Subsidies)
Average Nongroup Premium	$4,448	$5,061	$3,606
Average Nongroup Actuarial Value	0.641	0.678	0.678

Note: Includes children >150% FPL

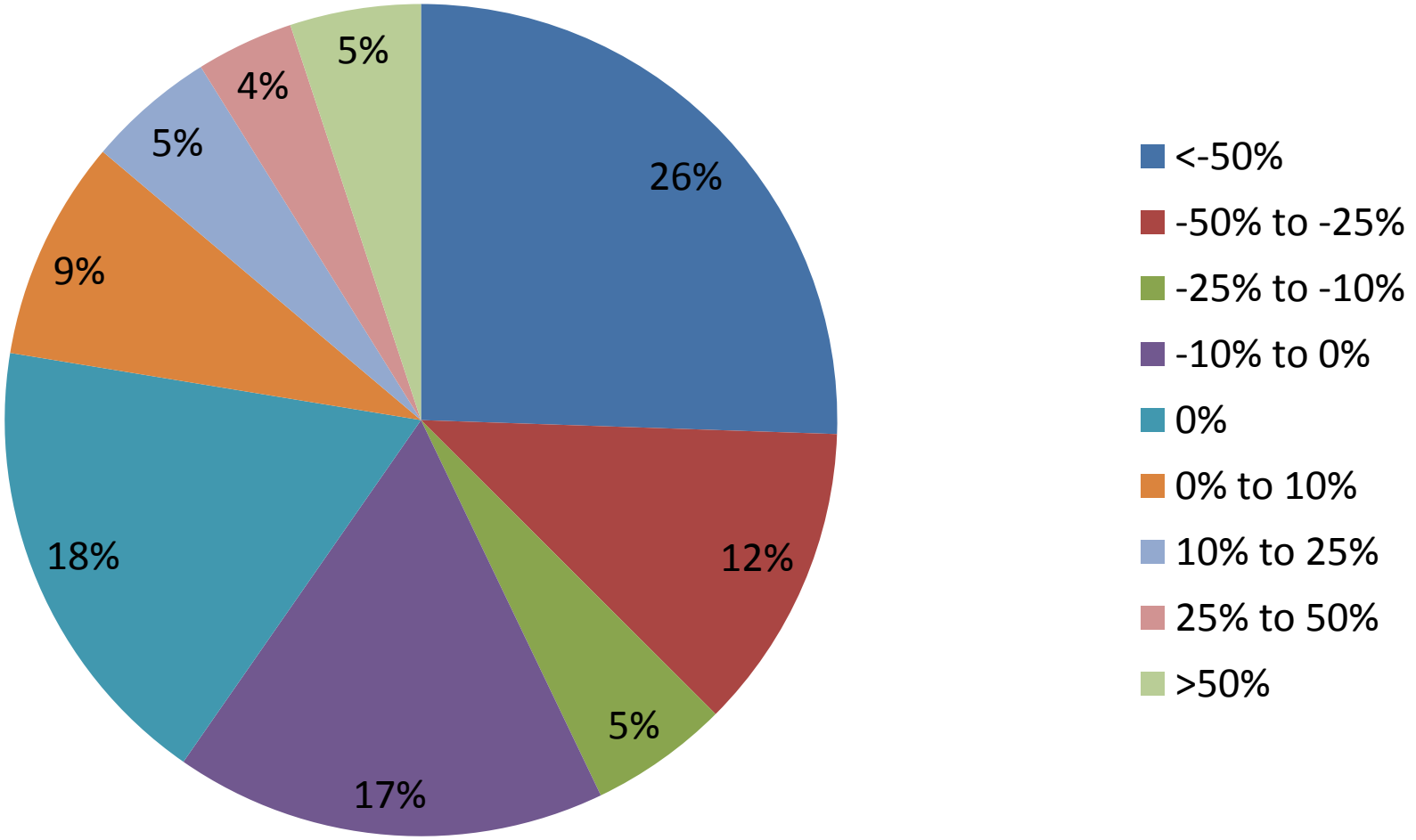
Nongroup Premium Changes (including tax credits) for those remaining on nongroup: 2016

No BHP



Nongroup Premium Changes (including tax credits) for those remaining on nongroup: 2016

With BHP



Part IV: Spending Impact

Major Effects on State Spending in 2016

- State costs of new public insurance enrollees
  - 50% of total cost is matched by federal government
- State savings from existing child/parent enrollees who leave public insurance
  - 50% of state savings is shared with federal government
- State savings from existing childless adults who leave public insurance
  - State gets entire savings

State Spending Effects, 2016
(in millions of dollars)

	150 no BHP	275 no BHP
Extra spending on existing eligibles who newly take up public ex-post	$140	$280
Savings from moving from public to private Exchange subsidies (excluding childless adults)	-$270	-$130
Savings from moving from public to private Exchange subsidies (childless adults)	-$120	-$120
Net State Spending Effect	-$250	$30

BHP Impacts on Budget

- Cost: MNCare cost of those 133-200% of poverty
  - Except kids below 150% or 200% of poverty, depending on MoE scenario
- Revenues: 95% of federal tax credit and cost-sharing spending
  - Premium cost and cost-sharing in the exchange for that group, minus their own enrollee contributions
- Key issue: risk adjustment
  - No risk adjustment: feds use 95% of the premiums in the exchange after BHP in place
  - Risk adjustment: feds use 95% of what the premiums would have been for the 133-200% group if they were in the exchange

BHP Financing

	Case I: 150%		Case II: 275%	
BHP Statistics	Non Adjusted	Risk Adjusted	Non Adjusted	Risk Adjusted
BHP enrollment	150,000	150,000	100,000	100,000
Average public cost for BHP enrollees:	$6,320	$6,320	$6,980	$6,980
Average Exchange premium/cost-sharing for BHP enrollees (before subsidies):	$5,270	$5,960	$5,450	$6,730
Average Exchange premium/cost-sharing for BHP enrollees (after subsidies):	$660	$660	$740	$740
Average Exchange subsidies for BHP enrollees:	$4,610	$5,300	$4,710	$5,990
Total BHP funding (millions)	**$650**	**$760**	**$460**	**$580**
Total BHP costs (millions)	**$920**	**$920**	**$690**	**$690**
Deficit of BHP	**($270)**	**($160)**	**($230)**	**($110)**

Note: Public cost calculations assume Medicaid provider rates (with 5% FFS reduction and 15% managed care reduction) and benefits
Note: Funding includes 95% of both premium subsidies and cost sharing subsidies
Note: Deficit does not incorporate existing state and federal spending on MinnesotaCare

BHP: Alternative Scenarios

- Alternative #1: Different capitation rate changes (relative to baseline 15% MC / 5% FFS reductions)
  - No change in cap rates
  - 10% / 5% reductions
  - 20% / 5% reductions
- Alternative #2: Pay private rates for BHP
- Alternative #3: BHP enrollees pay exchange contributions (as % of income)
- Alternative #4: BHP enrollees get exchange AV

Alternative BHP Scenarios
150% Case
(millions of dollars)

	BHP Funding	BHP Costs	BHP Deficit/Surplus
Baseline Results	$760	$920	-$160
Zero Capitation Change	$760	$1,030	-$270
10/5% Capitation Change	$760	$950	-$190
20/5% Capitation Change	$760	$900	-$140
Private Rates	$760	$1,070	-$310
Apply Exchange Enrollee Premiums	$760	$830	-$70
Apply Exchange AVs	$760	$820	-$60

Note: Deficit does not incorporate existing state and federal spending on MinnesotaCare

Alternative BHP Scenarios
275% Case
(millions of dollars)

	BHP Funding	BHP Costs	BHP Deficit/Surplus
Baseline Results	$580	$690	-$110
Zero Capitation Change	$580	$770	-$190
10/5% Capitation Change	$580	$710	-$130
20/5% Capitation Change	$580	$670	-$90
Private Rates	$580	$850	-$270
Apply Exchange Enrollee Premiums	$580	$620	-$40
Apply Exchange AVs	$580	$610	-$30

Note: Deficit does not incorporate existing state and federal spending on MinnesotaCare